

Message Text

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43

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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INT-05 ERDA-05 FEAE-00 FPC-01 L-02 H-02 EURE-00 /089 W

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P 101650Z APR 75

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 5325

C O N F I D E N T I A L VIENNA 3061

EO 11652: GDS

TAGS: PFOR, ENRG, EINV, EAID, AU

SUBJECT: KREISKY'S REQUEST FOR USE OF ERP FUNDS FOR
INTEREST SUBSIDIES

REF: VIENNA'S 2835

1. FOLLOWING IS INFORMAL EMBASSY TRANSLATION OF LETTER
FROM AUSTRIAN CHANCELLOR KREISKY TO AMBASSADOR, DATED APRIL 7
AND RECEIVED IN EMBASSY APRIL 8. (EMBASSY COMMENTS IN
SEPTEL)

2. (QUOTE) DEAR MR. AMBASSADOR: I HAD THE OPPORTUNITY RECENTLY
TO DISCUSS WITH YOU, MR. AMBASSADOR, A MATTER CONCERNING
THE AUSTRIAN ECONOMY WHICH IS OF PARTICULAR IMPORTANCE IN
VIEW OF THE INCREASING INTERNATIONAL RECESSION.
ESPECIALLY SOME EXPORT INDUSTRIES HAVE GOTTEN INTO
DIFFICULTIES AS A RESULT OF THE INTERNATIONAL RECESSION,
WORSENDED AS IT IS BY THE MONETARY SITUATION AND THE
DECLINE IN THE DOLLAR RATE.

(QUOTE) THE PLANTS CONCERNED ARE LOCATED IN AREAS
WHERE, BECAUSE OF THE WEAK ECONOMIC STRUCTURE LIKE IN
WESTERN STYRIA (COAL MINES OR INDUSTRIES WITH POOR
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CHANCES FOR THE FUTURE) SUCH SET-BACKS RAPIDLY BECOME

AN ECONOMIC PROBLEM FOR THE ENTIRE REGION.

(QUOTE) MANY OF THE PLANTS THAT BECAME DISTRESSED ARE PRESENTLY NOT IN A POSITION TO PAY THE HIGH INTEREST RATES ON THE CAPITAL MARKET; HOWEVER, THERE IS AN OVERDEMAND FOR THE LOW INTEREST ERP LOANS, AND IT IS IMPOSSIBLE TO PLACE ANY ADDITIONAL BURDEN ON THE BUDGET IN VIEW OF TEMPORARY SHORTAGES IN REVENUES AS A RESULT OF THE VONCONVERSION TO THE VALUE ADDED TAX SYSTEM.

(QUOTE) THEREFORE, MY PLAN IS TO ENABLE PLANT CONVERSIONS AND NEW INVESTMENTS THROUGH INTEREST SUPPORT- I AM THINKING OF 50 MILLION SCHILLINGS-WHICH WOULD COME FROM ERP FUNDS. AT A BANK INTEREST RATE OF 10 PERCENT AND 5 PERCENT INTEREST SUPPORT (WHEREBY THE PLANT WOULD THEN HAVE TO PAY 5 PERCENT INTEREST) IT WOULD BE POSSIBLE TO MAKE AVAILABLE AN AMOUNT OF ONE BILLION SCHILLINGS OF CHEAPER LOANS WITH THESE 50 MILLION SCHILLINGS FROM ERP FUNDS.

(QUOTE) SINCE IT IS OF MAIN IMPORTANCE TO ACT QUICKLY, I HOPE TO RECEIVE YOUR CONSENT TO THIS ONE-TIME EXTRAORDINARY ACTION-WITHOUT PREJUDICE TO THE EXISTING AGREEMENT BETWEEN AUSTRIA AND THE UNITED STATES OF AMERICAN WHICH AIMS AT PRESERVING THE ERP FUNDS. VERY SINCELELY YOURS, (SIGNED) DR. BRUNO KREISKY
(END QUOTE) BUCHANAN

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